

107TH CONGRESS
2D SESSION

S. 2078

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local political committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 9, 2002

Mrs. HUTCHISON (for herself, Mr. LIBERMAN, Mr. MCCAIN, Mr. FEINGOLD, and Mr. LEVIN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local political committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXEMPTION FOR CERTAIN STATE AND LOCAL**
 2 **POLITICAL COMMITTEES FROM NOTIFICA-**
 3 **TION REQUIREMENTS.**

4 (a) EXEMPTION FROM NOTIFICATION REQUIRE-
 5 MENTS.—Paragraph (5) of section 527(i) of the Internal
 6 Revenue Code of 1986 (relating to organizations must no-
 7 tify Secretary that they are section 527 organizations) is
 8 amended by striking “or” at the end of subparagraph (A),
 9 by striking the period at the end of subparagraph (B) and
 10 inserting “, or”, and by adding at the end the following:

11 “(C) which is a political committee of a
 12 State or local candidate or which is a State or
 13 local committee of a political party.”.

14 (b) EFFECTIVE DATE.—The amendments made by
 15 subsection (a) shall take effect as if included in the
 16 amendments made by Public Law 106–230.

17 **SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL PO-**
 18 **LITICAL COMMITTEES FROM REPORTING**
 19 **AND ANNUAL RETURN REQUIREMENTS.**

20 (a) IN GENERAL.—Section 527(j)(5) of the Internal
 21 Revenue Code of 1986 (relating to coordination with other
 22 requirements) is amended by striking “or” at the end of
 23 subparagraph (D), by redesignating subparagraphs (C),
 24 (D), and (E) as subparagraphs (D), (E), and (F), respec-
 25 tively, and by inserting after subparagraph (B) the fol-
 26 lowing new subparagraph:

1 “(C) to any organization which is an ex-
 2 empt State or local political organization,”.

3 (b) EXEMPT STATE OR LOCAL POLITICAL ORGANIZA-
 4 TION.—Subsection (e) of section 527 of the Internal Rev-
 5 enue Code of 1986 (relating to other definitions) is
 6 amended by adding at the end the following new para-
 7 graph:

8 “(5) EXEMPT STATE OR LOCAL POLITICAL OR-
 9 GANIZATION.—

10 “(A) IN GENERAL.—The term ‘exempt
 11 State or local political organization’ means a
 12 political organization which—

13 “(i) does not engage in any exempt
 14 function other than solely for the purposes
 15 of influencing or attempting to influence
 16 the selection, nomination, election, or ap-
 17 pointment of any individual to any State or
 18 local public office or office in a State or
 19 local political organization,

20 “(ii) is subject to State requirements
 21 to report (and it so reports)—

22 “(I) information regarding each
 23 separate expenditure from and con-
 24 tribution to, such organization, and

1 “(II) information regarding the
2 person who makes such contribution
3 or receives such expenditure,
4 which would otherwise be required to be
5 reported under this section, and

6 “(iii) with respect to which the reports
7 referred to in clause (ii) are made public
8 by the agency with which such reports are
9 filed and are publicly available for inspec-
10 tion in a manner similar to that required
11 by section 6104(d)(1).

12 “(B) CERTAIN FAILURES DISREGARDED.—
13 An organization shall not be treated as failing
14 to meet the requirements of subparagraph
15 (A)(ii) solely by reason of 1 or more of the fol-
16 lowing:

17 “(i) The minimum amount of any ex-
18 penditure or contribution required to be re-
19 ported under State law is not more than
20 \$300 greater than the minimum amount
21 required to be reported under subsection
22 (j).

23 “(ii) The State law does not require
24 the organization to identify 1 or more of
25 the following:

1 “(I) The employer of any person
2 who makes contributions to the orga-
3 nization.

4 “(II) The occupation of any per-
5 son who makes contributions to the
6 organization.

7 “(III) The employer of any per-
8 son who receives expenditures from
9 the organization.

10 “(IV) The occupation of any per-
11 son who receives expenditures from
12 the organization.

13 “(V) The purpose of any expendi-
14 ture of the organization.

15 “(iii) The organization makes de mini-
16 mis errors in complying with State law re-
17 quirements as long as the organization cor-
18 rects the errors within a reasonable period
19 after being notified of such errors.

20 “(C) PARTICIPATION OF FEDERAL CAN-
21 DIDATE OR OFFICE HOLDER.—The term ‘ex-
22 empt State or local political organization’ shall
23 not include any organization otherwise de-
24 scribed in subparagraph (A) if a candidate for

nomination or election to Federal public office
or an individual who holds such office—

“(i) controls or materially participates
in the direction of the organization,

“(ii) solicits contributions to the orga-
nization, or

“(iii) directs, in whole or in part, dis-
bursements by the organization.”.

(c) ANNUAL RETURN REQUIREMENTS.—

(1) INCOME TAX RETURNS REQUIRED ONLY
FOR POLITICAL ORGANIZATION TAXABLE INCOME.—

Paragraph (6) of section 6012(a) of the Internal
Revenue Code of 1986 (relating to persons required
to make returns of income) is amended by striking
“or which has” and all that follows through “sec-
tion)”.

(2) INFORMATION RETURNS.—Subsection (g) of
section 6033 of such Code (relating to returns re-
quired by political organizations) is amended—

(A) by striking “political organization re-
quired to file a return under section
6012(a)(6)” and inserting “political organiza-
tion (with the meaning of section 527, other
than a political committee of a State or local

1 candidate) which has gross receipts of \$25,000
 2 or more for the taxable year”, and

3 (B) by adding at the end the following new
 4 sentence:

5 “In the case of an exempt State or local political or-
 6 ganization (as defined in section 527(e)(5)), the preceding
 7 sentence shall be applied by substituting ‘\$100,000’ for
 8 ‘\$25,000’.”.

9 (3) AUTHORIZATION TO MODIFY INFORMATION
 10 RETURNS.—The Secretary shall review for possible
 11 modification the annual return required under sec-
 12 tion 6033(g) of the Internal Revenue Code of 1986.

13 (d) EFFECTIVE DATE.—The amendments made by
 14 this section shall take effect as if included in the amend-
 15 ments made by Public Law 106–230.

16 **SEC. 3. NOTIFICATION OF INTERACTION OF REPORTING**
 17 **REQUIREMENTS.**

18 (a) IN GENERAL.—The Secretary of the Treasury, in
 19 consultation with the Federal Election Commission, shall
 20 publicize—

21 (1) the effect of the amendments made by this
 22 Act, and

23 (2) the interaction of requirements to file a no-
 24 tification or report under section 527 of the Internal

1 Revenue Code of 1986 and reports under the Fed-
 2 eral Election Campaign Act of 1971.

3 (b) INFORMATION.—Information provided under sub-
 4 section (a) shall be included in any appropriate form, in-
 5 struction, notice, or other guidance issued to the public
 6 by the Secretary of the Treasury or the Federal Election
 7 Commission regarding reporting requirements of political
 8 organizations (as defined in section 527 of the Internal
 9 Revenue Code of 1986) or reporting requirements under
 10 the Federal Election Campaign Act of 1971.

11 **SEC. 4. WAIVER OF PENALTIES.**

12 (a) WAIVER OF FILING PENALTIES.—Section 527 of
 13 the Internal Revenue Code of 1986 is amended by adding
 14 at the end the following:

15 “(k) AUTHORITY TO WAIVE.—The Secretary may
 16 waive all or any portion of the—

17 “(1) tax assessed on an organization by reason
 18 of the failure of the organization to give notice
 19 under subsection (i), or

20 “(2) penalty imposed under subsection (j) for a
 21 failure to file a report,
 22 on a showing that such failure was due to reasonable cause
 23 and not due to willful neglect.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to any tax assessed or penalty
 3 imposed after June 30, 2000.

4 **SEC. 5. TECHNICAL CORRECTIONS TO SECTION 527 ORGA-**
 5 **NIZATION DISCLOSURE PROVISIONS.**

6 (a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—
 7 Paragraph (4) of section 527(i) of the Internal Revenue
 8 Code of 1986 (relating to failure to notify) is amended
 9 by adding at the end the following new sentence: “For
 10 purposes of the preceding sentence, the term ‘exempt func-
 11 tion income’ means any amount described in a subpara-
 12 graph of subsection (c)(3), whether or not segregated for
 13 use for an exempt function.”.

14 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-
 15 TION OF PENALTY.—Paragraph (1) of section 527(j) of
 16 the Internal Revenue Code of 1986 (relating to required
 17 disclosure of expenditures and contributions) is amended
 18 by adding at the end the following new sentence: “For
 19 purposes of subtitle F, the penalty imposed by this para-
 20 graph shall be assessed and collected in the same manner
 21 as penalties imposed by section 6652(c).”.

22 (c) DUPLICATE WRITTEN FILINGS NOT RE-
 23 QUIRED.—

24 (1) Subparagraph (A) of section 527(i)(1) of
 25 the Internal Revenue Code of 1986 is amended by

1 striking “, electronically and in writing,” and insert-
2 ing “electronically”.

3 (2) Subsection (i) of section 527 of such Code
4 is amended by adding at the end the following new
5 paragraph:

6 “(7) ELECTRONIC FILING.—The Secretary shall
7 develop procedures for submission in electronic form
8 of notices required to be filed under this subsection
9 and reports required to be filed under subsection
10 (j).”.

11 (d) APPLICATION OF FRAUD PENALTY.—Section
12 7207 of the Internal Revenue Code of 1986 (relating to
13 fraudulent returns, statements, and other documents) is
14 amended by striking “pursuant to subsection (b) of section
15 6047 or pursuant to subsection (d) of section 6104” and
16 inserting “pursuant to section 6047(b), section 6104(d),
17 or subsection (i) or (j) of section 527”.

18 (e) CONTENTS OF REPORT.—Section 527(j)(3) of the
19 Internal Revenue Code of 1986 (relating to contents of
20 report) is amended—

21 (1) by inserting “, date, and purpose” after
22 “The amount” in subparagraph (A), and

23 (2) by inserting “and date” after “the amount”
24 in subparagraph (B).

1 (f) CONTENTS OF NOTICE.—Section 527(i)(3) of the
 2 Internal Revenue Code of 1986 (relating to contents of
 3 notice) is amended by striking “and” at the end of sub-
 4 paragraph (D), by redesignating subparagraph (E) as sub-
 5 paragraph (F), and by inserting after subparagraph (D)
 6 the following new subparagraph:

7 “(E) whether the organization intends to
 8 claim an exemption from the requirements of
 9 subsection (j) or section 6033, and”.

10 (g) TIMING OF NOTICES.—Section 527(i)(2) of the
 11 Internal Revenue Code of 1986 (relating to time to give
 12 notice) is amended by inserting “or, in the case of any
 13 material change in the information required under para-
 14 graph (3), not later than 30 days after such material
 15 change” after “established”.

16 (h) EFFECTIVE DATES.—

17 (1) SUBSECTIONS (a) AND (b).—The amend-
 18 ments made by subsections (a) and (b) shall apply
 19 to failures occurring on or after the date of the en-
 20 actment of this Act.

21 (2) SUBSECTION (c).—The amendments made
 22 by subsection (c) shall take effect as if included in
 23 the amendments made by Public Law 106–230.

24 (3) SUBSECTIONS (d), (e), AND (f).—The
 25 amendments made by subsections (d), (e), and (f)

1 shall apply to reports or notices filed on or after the
2 date of the enactment of this Act.

3 (4) SUBSECTION (g).—The amendments made
4 by subsection (g) shall apply to material changes on
5 or after the date of the enactment of this Act.

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